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SUBJECT: ITALY BUDGET VOTE: PRODI SURVIVES AGAIN, REMAINS
WEAK, AS DOES BERLUSCONI AND THE OPPOSITION

Classified By: Acting Political Minister Counselor Jonathan Cohen for r
easons 1.4 (b) and (d).

SUBJECT

[¶1.](#) (C/NF) The Italian Senate passed the annual budget package
late November 15 by a vote of 161-157, handing PM Prodi a
political victory and former PM Berlusconi a humiliating
defeat. Prodi's government remains fragile and susceptible
to crisis but prominent Berlusconi allies are calling for a
strategic dialogue with Prodi on electoral and other reforms.
End summary.

SENATE PASSES BUDGET BILL WITHOUT CONFIDENCE VOTE

[¶2.](#) (SBU) The Italian Senate passed the annual budget package
late November 15 by a vote of 161-157. Prodi did not call a
confidence vote, pleasing President Napolitano, and forcing
his coalition allies to accept political responsibility for
the contents of the budget bill. Both radical left
"dissidents" and moderates like Senators Dini, Mastella and
Fisichella voted for the bill, which now passes to the
Chamber of Deputies for approval. The budget is all but
assured passage in the Chamber because of the center left's
larger majority there. If the Chamber modifies the Senate
text, the Senate will have to approve any changes.

PRODI NOT IN THE CLEAR

[¶3.](#) (SBU) Dini, a former PM, said after the vote that he did
not think the government is capable of leading the country
further. Dini has two senators in his Liberal Democrat group
and an additional three others more loosely associated with
him. Dini hinted that he and his supporters might leave the
center left at some point after the budget vote.

BERLUSCONI PAINTED AS THE LOSER

[¶4.](#) (C/NF) Former PM Berlusconi announced confidently in
October that the Prodi government would fall November 14 over
the budget, and that Italy would go to early elections in
[¶2008](#). Strong in opinion polls, with around 30 percent of
total voter support, Berlusconi argued that the Italian
people wanted him back even as his advisers commented
privately that the strongest glue holding the Prodi
government together was the fear Berlusconi would win early
elections. Former Democrats of the Left (DS) Secretary Piero
Fassino told the Ambassador November 14 that Berlusconi did
not have the instincts of a politician and had miscalculated.

By constantly repeating that Prodi would fall, Berlusconi mistakenly believed that he could force it to happen. Union of Christian Democrats of the Center (UDC) leader Pierferdinando Casini, long a critic of Berlusconi's tactics, told the Ambassador November 8 that Berlusconi had become "the boy who cried wolf."

LETTA/FINI CALL FOR DIALOGUE WITH THE CENTER LEFT

15. (C/NF) Berlusconi adviser Gianni Letta gave a rare interview November 14 in which he called for a "vast coalition" to discuss essential reforms. In a stinging front page letter printed in the November 16 Corriere della Sera, National Alliance (AN) leader Gianfranco Fini criticized Berlusconi's myopic strategy focused on bringing the government down and wrote that it is time for dialogue with the center left for the sake of the country. The Northern League (LN) has also called for a dialogue on electoral reform.

COMMENT

16. (C/NF) Pleased with his Senate victory but facing serious discontent within his coalition, Prodi must remain on guard. The discussion of post-Prodi scenarios continues unabated, and he is safe only until the next Senate vote or international crisis. However, Berlusconi's defeat will bring change in the center right and might create the conditions for parliament to approve some of the institutional reforms, including electoral reform, that Italy desperately needs. End comment.
SPOGLI